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MONEY, BANKING
CREDIT, FINANCE

business review

FEDERAL RESERVE

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DRIVING AT THE SPEED LIMIT?

to drive the economy right at the speed limit, is a real possibility. Will it happen next year? There are factors that could lead both inflation and recession. There are also factors that could lead business to drive at the speed limit in 1956.

CURRENT TRENDS

Early-season expectations of Christmas trade in Third District department stores range from "promising" to "excellent."

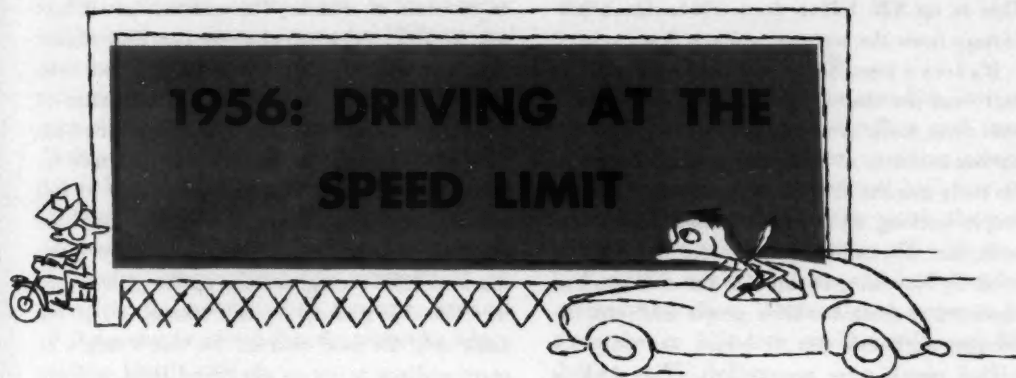
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FOR THE RECORD...
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Did you ever try to drive your car at exactly the speed limit, say 50 miles an hour, for a good period of time? If you have a finely tuned motor, are a skilled driver, and don't come upon too many sharp curves the chances are you might be able to do it. But it's difficult—the odds are against you. You tend to pick up speed or to slow down; to average out at around 50 miles an hour but not to drive precisely at that speed.

The American economy is racing into 1956 at a very fast clip. But until now this has been all to the good. In 1954 we were running well under the speed limit. So in 1955 excessive speed was called for to make up the lost ground—to average out at 50 miles an hour. Now, however, comes the real test. Will the rate of expansion slow down just to the speed limit, and hold there?

If we don't slow down a bit it will probably mean higher prices, shortages, and resulting dislocations. If we slow down too much it will tend to be reflected in unemployment, business failures, and repossessions. Neither course is desirable. The objective is the speed limit—no

faster, no slower. Our chances of attaining the speed limit is what this article is about.

What's the speed limit?

Before talking about how fast we might be going in 1956 it might be well to define the "speed limit." This isn't easy. The fact is no one knows at precisely what speed the economy should proceed once full employment is attained. One thing we know is that we can't keep up the rate of increase we have enjoyed over the past year or so. This would clearly be excessive.

In the third quarter of 1954, our total output, Gross National Product (GNP) was running at an annual rate of \$360 billion. One year later total output stood at \$392 billion and by the end of 1955 it is expected that we should be around \$400 billion. This means that in the space of 15 months or five quarters our total spending has advanced by \$40 billion on an annual basis. That's an average increase of about \$8 billion every quarter. And surprisingly, the quarterly increases have held quite close to \$8 billion.

For the year as a whole, our total output for

1955 will probably stand at about \$388 billion. This is up \$28 billion from 1954. On a percentage basis the increase is about 8 per cent.

It's been a tremendous year, and a tremendous year was necessary. After all we began 1955 with some slack in our economy. The most important evidence of slack was in employment. In the early months of 1954 we had just 60 million people working an average of about 39 hours a week, and 3½ million people were not working at all. By November of this year this situation had improved so that 65 million people had jobs, the average workweek was 41 hours, and only 2.4 million people were unemployed. The slack is virtually gone.

To take up this slack our economy generated an \$8 billion increase in total output quarterly, bringing us up to about a \$400 billion output in the final quarter. Now we can't relax our efforts and content ourselves to sit at the \$400 billion output for the entire year of 1956. We need constant growth because both the size of the labor force and its productivity—what is produced per hour per worker—grow larger year after year in this country. If production and demand should remain at present levels we would soon have rising unemployment—more slack. So we should keep increasing our total output—but not by \$8 billion a quarter. That's a catch-up rate. What we are looking for now is a rate of advance that will absorb the additions to our labor force, reflect the increases in productivity, provide our citizens with a higher standard of living, and accomplish all this without a general rise in prices. In other words we are looking for the millenium.

What rate of increase will give us this objective? About this we can't be positive. A simple extension of the long-term average growth of GNP indicates a 4 per cent increase would

satisfy our requirements. So let's use 4 per cent as our rule of thumb. The question you might ask is 4 per cent on what—4 per cent higher than the total for the year 1955 or 4 per cent above the annual rate for the fourth quarter of 1955? Ordinarily we think a 4 per cent increase on a yearly basis provides the desired expansion. That's all right if you start from a year of full employment—a slackless year. But the year 1955 does not exactly fit this description. We spent much of 1955 racing to make up the ground lost in 1954. We probably didn't take up all of the slack until the final quarter. So that it might be more realistic to set as our speed limit, a 4 per cent increase in total output from the fourth quarter of 1955 to the fourth quarter of 1956.

In dollar terms this means the economy would be rolling along with total output at an annual rate of \$416 billion in the final quarter of 1956—a 4 per cent increase over the fourth quarter of 1955. As a yearly total this sets the speed limit at around \$410 billion for 1956 as compared with \$388 billion in 1955—just about a 6 per cent rise. This means too, that our quarter-to-quarter increases in total output at an annual rate should average about \$4 billion—just half the amount of quarterly increase during the catch-up in 1955.

Will we drive at the speed limit?

The desirability of having our economy running at the speed limit in 1956 is obvious. But the feasibility remains a question. Will we do it?

A straight sector-by-sector analysis of the economic prospects for 1956 seems to give a remarkably affirmative answer to this question. In short, yes, we will drive at the speed limit—if Government and business spending do what seems to be in prospect, and if consumer spending stays in about the same relationship to

the total of Government and business spending.

But a straight, conventional, sector-by-sector analysis of economic prospects for 1956 may not give us an accurate answer. Psychological factors, political considerations, and other forces may strongly influence business activity in 1956. If they do, we may find ourselves driving faster than the speed limit or dragging below the desired level of activity. We'll take a look at some of these special factors which might upset the conclusion drawn from the conventional approach to the outlook. First, however, let's look at the economy conventionally, sector by sector, and see how it adds up.

GOVERNMENT SPENDING

All Government spending for the year 1955 will probably total about \$75.8 billion; as such it absorbs about 20 per cent of our total output. Government expenditures are usually broken into two main parts—Federal, and state and local Government.

Federal spending

Federal Government spending is the larger category. National security spending makes up nine-tenths of all Federal spending. For the year 1955 as a whole, Federal spending for goods and services will total about \$45 billion and national security spending about \$40 billion. Quarterly, Federal spending leveled out after declining sharply in late 1953 and through most of 1954 as a result of the end of the fighting in Korea.

The outlook is for Federal spending to drift slightly higher. Recent statements by Secretary of Defense Wilson have indicated that it will be difficult if not impossible to reduce further our spending on national security. Relief for farmers and depressed areas makes increased non-defense spending a good possibility. Then too, prices of

goods and services the Government buys are rising.

State and local spending

State and local government spending has increased between \$2 and \$3 billion each year since 1946. Despite all of this spending, schools are dangerously overcrowded and highways are alarmingly inadequate. In other words, the main pressures for more spending are still with us.

For 1955 as a whole, state and local spending totaled \$30 billion. There is good reason to believe that in 1956 this spending will reach \$32 billion or \$33 billion.

Taking Federal, and state and local Government spending together we might look for a total of about \$79 billion in 1956 as compared with the present \$76 billion. This looks forward to an increase of about \$1 billion in Federal spending and \$2 billion in state and local expenditures.

BUSINESS INVESTMENT

While the role of Government in economic affairs has expanded greatly, economic activity in this country is still primarily private business activity. For this reason it is sometimes difficult to understand why business spending as represented in GNP accounting is smaller than either Government or consumer spending. Of course, it is because that part of GNP assigned to business spending includes only those goods which businessmen themselves will hold or make final use of. Businessmen invest in and make final use of capital equipment in order to be able to produce, and this is measured as business spending. In addition, business must hold inventory, and to the extent this inventory increases or decreases this is counted as business investment or disinvestment.

Inventories

The fact is that at any given time businessmen will hold a tremendous volume of inventory—at present around \$80 billion worth—just as they own a gigantic block of plant and equipment. The important factor as far as the outlook is concerned, however, is not how much business holds presently but what is going to be their buying policy in the future. Are businessmen going to try to raise, lower, or maintain the level of current inventory holdings?

When businessmen decide to lower their volume of inventory it means they are selling from their shelves. In other words, production does not feel the full pressure of final demand, and inventory policy is acting as a drag on economic activity. When businessmen maintain their inventory positions they are a neutral factor. A policy of building up inventory adds to demand and causes the tempo of economic activity to quicken.

In 1955, businessmen stored up. They accumulated inventory. This came on the heels of 1954 when businessmen liquidated inventories. The big swing in inventory policy represented a change from a \$3 billion drag in 1954 to a \$3 billion drive in 1955—an upward thrust of \$6 billion.

One thing we can be pretty sure of is that inventory buying won't provide another \$6 billion fillip to demand in 1956. It may not, however, act as a drag on economic activity as many think it will. One yardstick against which we might measure the current volume of inventories is sales. Using sales as a yardstick the current level of inventory appears low.

Stocks are below their 1953 peak in durable goods lines, while sales are at record levels. The stock-sales ratio is at a four-year low. Nondurable goods inventories are more stable as can be

BUSINESS SALES AND INVENTORIES



seen from the chart. But the recent increase in sales of nondurables has brought the stock-sales ratio to the lowest level since 1950. One important reason why inventories have not climbed so fast is the limited availability of supplies where demand has been strongest.

If sales continue at the present pace in 1956, inventories could probably expand at the same rate as in 1955 without seeming excessive. So that businessmen's spending on inventory in 1956 may not be a drag on economic activity. On the other hand, it is doubtful that businessmen will choose to accumulate inventory faster than in 1955.

Plant and equipment spending

Spending on plant and equipment is the other part of business expenditures. Generally this spending reflects businessmen's appraisal of the future. If they expect rising business activity they expand their capacity and keep equipment up to date. If the future does not look too bright

they might make only the most necessary replacements and modernizations. Plant and equipment expenditures have been rising since the first quarter of this year. The total for 1955 will probably exceed 1954 by about \$2.5 billion.

The recently completed McGraw-Hill survey of businessmen's intentions for 1956 indicates a 13 per cent increase in fixed investment outlays. This would be the largest increase since 1951. Plant and equipment expenditures of manufacturers are to rise 30 per cent according to this survey.

Assuming that businessmen spend as much on plant and equipment as they have indicated, the total of business spending may rise about \$4 billion in 1956. This assumes no change in the 1955 rate of inventory accumulation, and a \$4 billion increase in spending on fixed investments.

CONSUMER INVESTMENT IN HOUSING

Money spent for new housing is a special form of consumer spending. It is investment spending. Historically, it has fluctuated violently, like business investment spending. In the post-war period, however, housing expenditures have been fairly stable at a high level.

This year, the number of private non-farm dwelling units started is expected to be about 1.3 million. This marks the seventh consecutive year housing starts have exceeded one million. The high point, 1.4 million, was achieved in 1950.

Since 1950, the number of housing starts has been running way beyond the rate of household formation plus physical obsolescence. The difference has been made up by more rapid replacement or a general upgrading. Factors, such as rising income, high birth rate, migration, and ready availability of mortgage money, have propelled this rapid replacement demand.

Replacement demand is postponable. It is

sensitive to changes in mortgage terms. Mortgage terms have recently stiffened somewhat—terms are still generally easier than in 1953. But even this slight tightening is apparently being felt. This is a situation to watch. The best estimate seems to indicate that new housing starts will be affected adversely in 1956 if the present situation in the mortgage market continues. On the other hand, the decline in starts is not expected to be drastic. Starts seem likely to reach at least 1.1 million.

In terms of dollars spent on residential housing, however, the results might not be the same as for starts. Builders seem to be putting up a larger proportion of higher-priced homes. This change in the "housing mix" tends, at least partially, to offset the reduction in the number of starts. In addition, spending for home modernization is likely to be higher in 1956. These factors could well mean residential housing expenditures will push about \$1 billion higher next year.

CONSUMER SPENDING

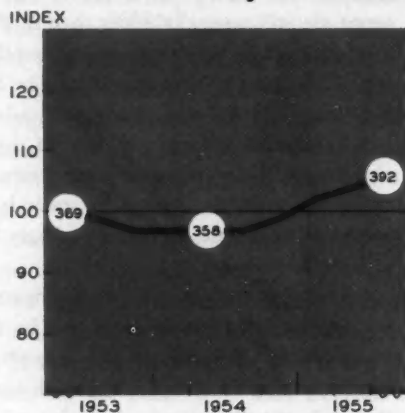
Consumer spending is nearly twice as large as Government, business and consumer investment spending combined. As such it throws a lot of weight in total spending. Which way will consumer spending swing this year, up or down?

No one knows—that's for sure. But there is some reason to expect that if Government spending increases \$3 billion and business spending increases \$4 billion and consumer investment increases \$1 billion, that consumer spending will increase proportionately.

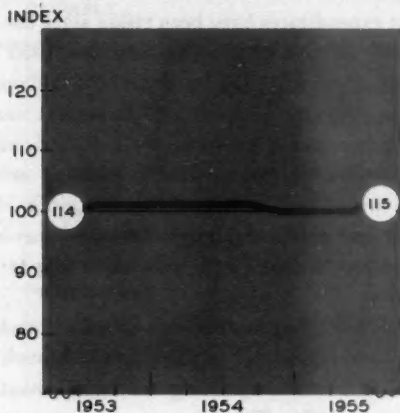
What is proportionately? Generally, what we mean is that consumers will tend to maintain their share of a growing volume of output. The consumers' share of our total output in prosper-

(Continued on page 10)

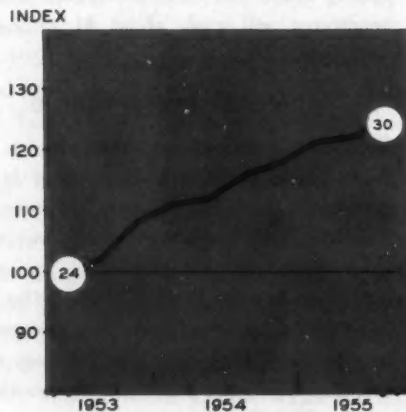
BUSINESS, FROM FORMER PEAK TO



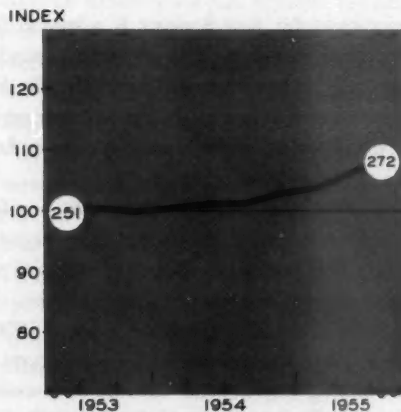
- 1 Since the second quarter of 1953 **total spending** has proceeded through recession and recovery.



- 2 Over this period **consumer prices** have been stable so that the dollar changes are generally "real."



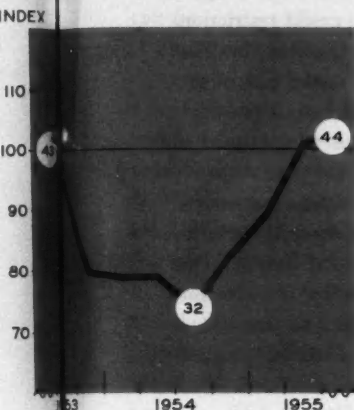
- 6 Spending by state and local governments gathered strength throughout the period.



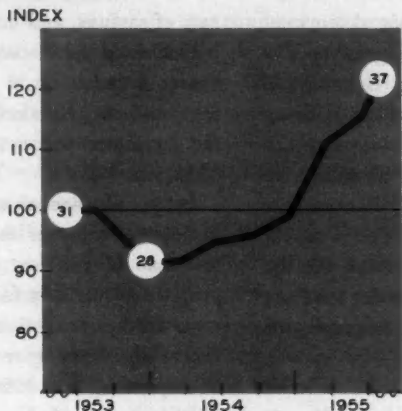
- 7 Consumer income after taxes was well maintained even through the recession.

The charts above are drawn on an index basis with second quarter 1953 equal to 100. This allows us to get quickly a picture of relative changes. The figures within the charts are in billions of dollars, except for chart 2 which is an index of prices.

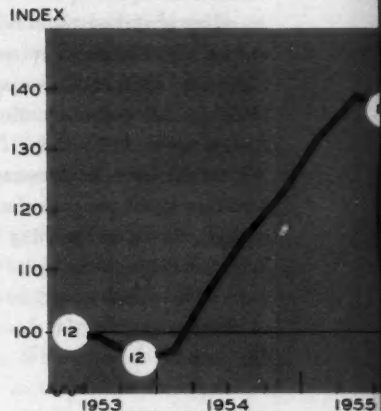
TO PRESENT LEVEL



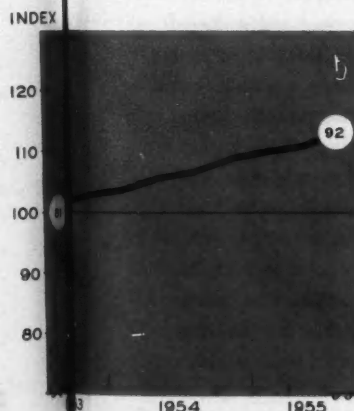
3 Business investment fluctuated widely mainly as result of a turn-around in inventory buying.



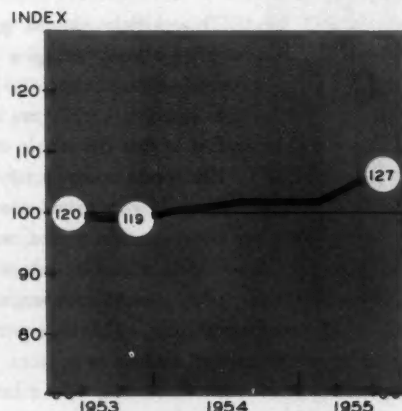
4 Consumer spending on durable goods also moved in the same general direction as, but faster than, total spending.



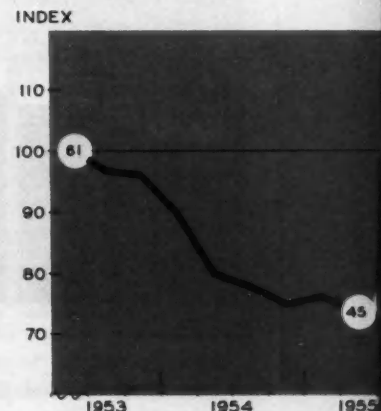
5 Consumer investment in housing dipped briefly, but recovered sooner than general business activity.



8 Total spending enabled consumers to increase spending on television repair, insurance, air travel and other services.



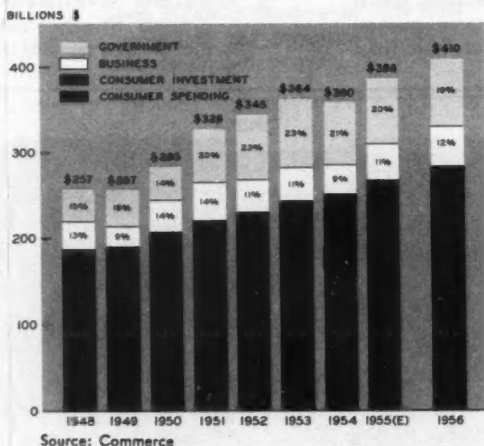
9 Consumer spending on nondurables—food and clothing—pretty much followed the trend of after-tax income.



10 Federal Government spending dropped off sharply in 1954, has recently levelled.

ous peacetime years usually varies somewhere between 65 and 70 per cent. In 1955, consumer spending absorbed about 65 per cent of our total output. If Government spending goes to \$79 billion in 1956, business spending rises to \$49 billion, and consumer investment in housing pushes up to \$17 billion; then consumer spending would have to increase to \$265 billion to maintain its 65 per cent share of GNP. Strangely enough, consumer spending of \$265 billion would bring total spending up to \$410 billion for the year 1956. This would be exactly the level set as the speed limit in the early paragraphs of this article.

GROSS NATIONAL PRODUCT



The chart shows the level of total spending and its composition for the years since 1948 with a projection for 1956. It shows that spending by consumers was squeezed when defense spending rose after the Korean outbreak in 1950. The total of consumer spending didn't decline but it could not rise in proportion to the growing total production. The consumers' share was reduced

from 70 per cent before Korea to 63 per cent in 1951, 1952, and 1953. Increased taxes, a higher rate of savings, and instalment credit restrictions helped hold back consumer spending in these years. A reduction in taxes, a lower rate of savings, and easy instalment credit helped to restore the consumer sector to around 65 per cent in 1954 and 1955.

In the absence of another defense squeeze it is doubtful whether the consumer will settle for less than 65 per cent of our total output. This proportion might in fact be too low if we assume some further reduction in taxes. So that a conventional, sector-by-sector analysis of prospective spending for 1956 reveals that a GNP of \$410 billion is likely. Our earlier discussion of the speed limit for 1956 showed it also to be highly desirable.

IT'S CONVENTIONAL BUT IS IT REALISTIC?

This article should probably end right here. After all we set up a speed limit for 1956 and then showed how it is not only possible but a good bet that we will drive at this limit. But is this the whole story? Haven't we implicitly made some pretty broad assumptions and haven't we omitted some important factors from consideration? Yes, we have.

Any sector-by-sector analysis of this sort implies certain independence of action that is unrealistic. This is especially so for the business and consumer sectors. Consider for a moment the following: To a large extent business spending depends on consumer spending; and on what business thinks the consumer will spend; and on what Government does; and on what business thinks Government will do in case of an economic setback. Exchange the words business and consumer in the preceding sentence and we are confronted by the same basic dilemma—the in-

evitable interdependence of each sector on the others. It also hints at how important timing can be.

Businessmen always seek to anticipate consumer demand. In response to anticipated or actual changes, business shifts resources from areas of lesser to areas of greater demand. Some industries are growing while others are shrinking. New industries and products come into the market. Investment decisions are adjusted to changing conditions.

The level of consumer spending ultimately depends on income. Therefore, to some extent consumer spending is dependent on business spending. But consumer expectations are important too. If jobs and income look secure and consumer goods appear attractive some people will tend to spend more than their current income. They reach into past savings or use installment credit to supplement current earnings. If on the other hand, workers feel overtime will be reduced or they fear being laid off, they go home and say to their wives, "You'd better start cutting down and save wherever you can. I might be next."

An economy such as ours, where interrelationships and expectations are so important, makes some fluctuations in general business activity inevitable—some departures from the speed limit. This is the price we pay for a dynamic economy, and it is not too high for what we gain.

Saying Isn't doing

Sure, businessmen say they are going to spend 13 per cent more for plant and equipment in 1956 than they spent in 1955. But saying it isn't the same thing as doing it. At this time in 1954, businessmen said they were going to spend less in 1955 than they had actually spent in 1954. Something happened to change their plans.

Maybe consumer demand exceeded expectations. In any event, business spending on plant and equipment increased in 1955 instead of decreasing as businessmen themselves said it would.

This year the same thing could happen. Businessmen's plans could change. So delicately poised is business that 1956 could easily turn inflationary or drift into recession.

Inflation in 1956?

We will be entering 1956 with a great deal of business momentum. Government and business spending are sure to be at a high level for the first few months at least. What, therefore, may be the effect of the hike in the minimum wage effective March 1? A comparison of this situation with the results of previous minimum wage increases is not altogether valid. Almost universally in previous instances, actual wages were very near if not above the minimum then established. On March 1, 1956, about two million workers will get an automatic pay boost. The hike in wages for these workers will average around 13 cents an hour. Of course, 25 cents an hour will be the maximum increase.

The workers getting this boost are low-income earners. That means—nine chances out of ten—that they are 100 per cent spenders. So this added income will ring cash registers.

Then how about the indirect impact of the change. When the pay of workers in the lower bracket is raised the pay of workers in higher brackets is likely to be adjusted upward to maintain the differential. This sort of adjustment took place in 1950 when the floor was raised to 75 cents an hour. It may happen again on a broader scale, since many more people will get raises under the new minimum wage than in 1950.

If this isn't enough inflationary potential,

think of the companies employing those workers. The firms won't all be willing or able to absorb the higher labor bill. Some will mark up prices to offset the hike in wages.

The adjustments to the change in the minimum wage will be taking place largely in the first half of 1956. Then suppose we get a reduction in taxes effective July 1. This isn't impossible. A lot of people think we will. Most of them say it will take the form of a rise in personal exemptions. If this is the case, most of the relief will flow to low-income receivers—the 100 per cent spenders. Again you have a good case for additional demand and potential price spiraling pressures.

And don't forget businessmen's spending is influenced by consumer spending. In 1955 businessmen spent more than they said they would, probably because consumers bought more than businessmen thought they would. Business spending could exceed expectations again in 1956.

All right, there is a case for inflation. These are not the only factors that could lead to rising prices, but we can't explore every avenue. It may seem surprising but you can make a good case for recession too.

Recession in 1956?

What's the basis for most of the optimistic forecasts for business activity next year? If you had to choose one factor, it would probably be businessmen's plans to increase spending on plant and equipment. But our experience only last year illustrated the tentativeness of these plans. Businessmen watch consumer demand; it is an understatement to say they are influenced by it.

Of all the surprises in 1955 probably none could surpass the size of consumer demand for automobiles. Late in 1954 a consensus of experts on automobile demand—none known to be

confirmed pessimists—projected a level of car sales in the neighborhood of 5.8 million for 1955. The industry will probably sell nearly two million more than that. That's a miss of nearly 40 per cent on the up side.

Who would deny that this tremendous demand for cars, which exceeded expectation by 40 per cent, was a prime factor in the upward revision of business spending plans?

It was no accident, for example, that the record level of car production in 1955 was accompanied by a record steel output and the decision of leading glass firms to expand to keep pace with demand. The automobile industry is important. It exerts a great influence on our economy.

This year a consensus of the same automobile demand experts would put car sales at about the same level as in 1955. But what's to prevent them from missing the mark by 40 per cent again? This time on the under side. That's no prediction, but if you can miss going up you can miss coming down.

Certain factors will be working against automobile sales in 1956. Style changes are few—instalment credit can't get much easier—what will be the effect of the congressional hearings on the marketing of cars? These are imponderables, but they could mean another year of surprises in the automobile industry.

A big factor is timing. If car dealers find themselves with skyrocketing inventories in the early months of 1956, they'll resist deliveries from manufacturers and production may have to be cut back. This might also cause other manufacturers and businessmen to take a second look at their capital investment plans. It wouldn't be an optimistic look.

So there is one road that might lead us into recession. There are others.

CONCLUSION

Three possible forecasts are implied in the foregoing. The first is for a year of unparalleled prosperity. A full year with the speedometer registering right at the speed limit all the way. The second indicates demand may very well become excessive and that price rises will mar the business scene. A year of crazy hot-rod speeding. The third says that a recession is likely. A year with a sputtering engine.

The three forecasts make it obvious that 1956 is a hard year to predict. They all are. There are just too many uncertain elements.

This is especially the case when the economy is running at the speed limit as we are in the final quarter of 1955. Any sudden turn in the road ahead can cause us to slow down or careen. Businessmen, bankers, all of us must remain flexible to cope with changing conditions.

Actually, however, everybody thinks he knows what is most likely to happen. As good a guess as any might be the first forecast. Some, no doubt many, feel this is the least likely. After all, how can we drive at the speed limit for the entire year? It is difficult to answer that question, but it could happen in 1956.

CURRENT TRENDS

Current business indicators are predominantly favorable. Employment, production, and income are at high levels and the economy is operating very close to full capacity, as pointed out elsewhere in this issue of the *Business Review*. However, in agriculture the cost-price squeeze continues; consequently, farmers take a dim view on the outlook for next year.

One area of significant strength is consumer spending, now highlighted by a Christmas shopping season that is proceeding under a full head of steam. It is at this season that many observers watch retail volume more closely than some of the other business indicators for possible clues to economic trends that may be in the making for the early weeks of a new year.

In the period from Thanksgiving to Christmas, business volume in department stores is one of the handiest measures of the ability and willingness of consumers to spend their hard-earned

dollars. This year the spending pattern in these establishments is being watched with more than passing interest. Shoppers' response to gift merchandise being offered should provide a better measure of consumer buying power than the historical fact that department store sales have been exceeding 1954 levels since the early spring. That was to have been expected, because activity in many sectors of the economy, including retail trade, was in the "doldrums" over much of last year. It was not until the late fall of 1954 that decisive improvement came to retail lines. Then, the best Christmas season ever furnished the basis for making a more significant comparison.

Third District department stores are optimistic

As we go to press, the current Christmas shopping season has two weeks to run, so the impressions received in talking with department store

executives seem to provide the best clue to the full season's expectations. "Promising" to "excellent" are the opinions most frequently expressed regarding prospects of consumer spending in Third District department stores for the whole period from Thanksgiving down to Christmas Day. Naturally, the current degree of enthusiasm varies considerably from one city to the next, depending on the early-season response of the shoppers. Thus, gift selections in large volume seem to have been made in some areas beginning the Friday after Thanksgiving, while in others that was just another shopping day noteworthy only for high store attendance.

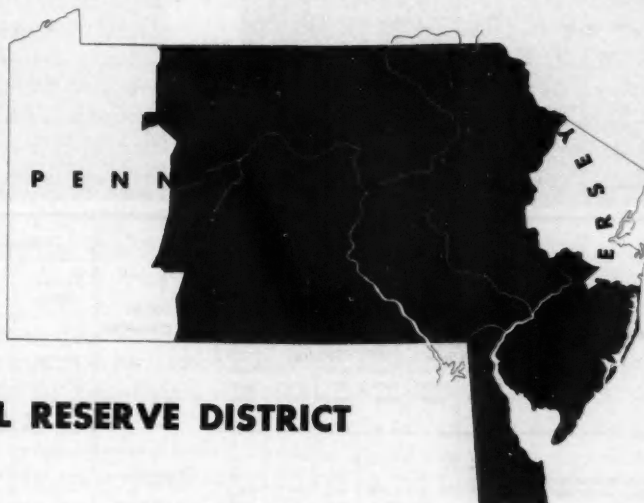
In places like Harrisburg, Lancaster, and Wilkes-Barre, Christmas shopping started in earnest as early as mid-November, when promotional sales of one sort or another brought in the bargain hunters. According to some store executives, these events not only met with an excellent response, but more importantly this early-season demand seemed to spill over into the strictly gift merchandise categories. Philadelphia department stores experienced heavy shopper attendance in their downtown establishments the day after Thanksgiving, but a tally of dollar sales failed to uncover an unusual amount of buying. Similar conditions are said to have prevailed in some of the smaller cities, including Trenton, Reading, and Scranton.

Although the old saying "do your Christmas shopping early" was not taken too seriously everywhere, early December sales measured in dollars and in number of transactions seem to have been a source of great encouragement to department stores in all Third District cities. The Christmas clubs that paid off in late Novem-

ber have helped a lot in the opinion of store executives. The only real difference seems to have been that some shoppers liked to look at these checks a little longer than others.

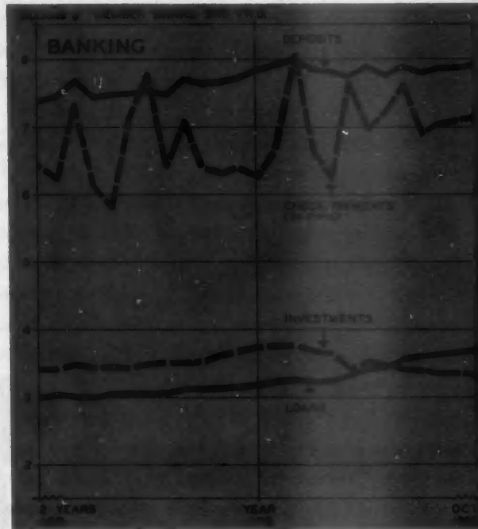
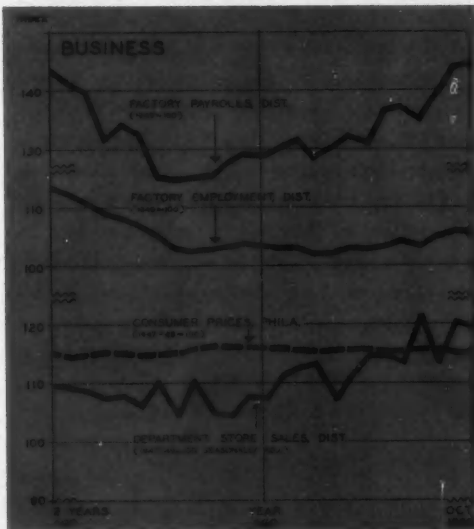
All through 1955 consumers spent freely for expensive things like houses and automobiles. This took a lot of cash and at the same time meant substantial commitments against future income. So the department stores, along with other retail merchants, could not help wondering how much demand would be left by Christmas time. With the season now past the half-way mark, they tell us there is little cause for worry. In some places gift selections indicate a very definite preference for the higher quality—and more costly—merchandise. Here and there we found department stores that already had re-ordered on certain of these items. Just about everywhere the proportion of luxury goods to necessities demanded by shoppers seems normal for this season. Even the so-called "big ticket" items like furniture, television, and appliances do not appear to have suffered unduly as a result of expenditures and commitments made earlier this year.

So, all in all, early-season results seem to point to a good volume of business in our Third District department stores. No one with whom we talked professed to see any significant evidence of price consciousness. If anything, shoppers seemed to be putting price tags in a place of secondary importance. If this Christmas season turns out better than the one in 1954—and almost all the department store executives we talked with thought it would—it augurs well for the business trends we may look for in the early months of the new year.



THIRD FEDERAL RESERVE DISTRICT

FOR THE RECORD...



SUMMARY	Third Federal Reserve District						United States						LOCAL CHANGES	Factory*				Department Store				Check Payments				
	Per cent change						Per cent change							Employment		Payrolls		Sales		Stocks		Per cent change				
	October 1955 from						October 1955 from							Per cent change October 1955 from		Per cent change October 1955 from		Per cent change October 1955 from		Per cent change October 1955 from		Per cent change October 1955 from				
	mo. ago		year ago		10 mos. 1955 from year ago		mo. ago		year ago		10 mos. 1955 from year ago			mo. ago		year ago		mo. ago		year ago		mo. ago		year ago		
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago		mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago			
OUTPUT																										
Manufacturing production...	0	+ 8	+ 3		+3	+12		+11	Allentown...	+1	+8	+2	+26											0	+17	
Construction contracts*	-5	+ 9	+13		-6	+ 3		+23	Harrisburg...	0	+8	+2	+30												0	+13
Coal mining...	-4	+16	+13		+2	+10		+18	Lancaster...	0	+8	0	+15	+2	+ 4	+11	+ 7	+ 3	+23							
EMPLOYMENT AND INCOME									Philadelphia...	0	0	0	+ 7	+3	+10	+11	+10	+ 3	+11							
Factory employment (Total)...	0	+ 2	- 1		0	+ 5	+ 3		Reading...	+2	+6	+8	+23	-3	+ 7	+15	+ 5	+ 1	+19							
Factory wage income...	0	+12	+ 6						Scranton...	0	+2	+1	+ 8	-2	+ 2	+ 6	+11	- 1	+11							
TRADE**									Trenton...	+2	+9	+4	+19	0	0	- 3	- 1	+ 8	+29							
Department store sales...	-1	+10	+ 7		+1	+ 8	+ 7		Wilkes-Barre...	+1	+6	+1	+10	-5	+13	+ 9	+12	- 7	+ 9							
Department store stocks...	-1	+ 9			0	+ 6			Wilmington...	-6	+7	-6	+14	+4	+13	+ 8	+12	-20	+20							
BANKING									York...	0	+3	+5	+12	+4	+29	+ 7	+19	- 2	+15							
(All member banks)																										
Deposits...	+1	+ 1	+ 3		+1	+ 2	+ 4																			
Loans...	+1	+16	+12		+1	+18	+12																			
Investments...	-1	-11	- 2		+1	- 9	+ 1																			
U.S. Govt. securities...	-1	-10	- 3		+1	-12	- 1																			
Other...	-1	-13	+ 1		-1	+ 3	+ 9																			
Check payments...	+1†	+14†	+ 7†		+4	+15	+ 8																			
PRICES																										
Wholesale...	0†	- 1†	0†		0	+ 2	0																			
Consumer...	0†	- 1†	0†		0	0	0																			

*Based on 3-month moving averages.

**Adjusted for seasonal variation.

120 Cities
†Philadelphia

*Not restricted to corporate limits of cities but covers areas of one or more counties.

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